WESBANCO INC
Form 10-Q
October 30, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission File Number 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

WEST VIRGINIA	**55-0571723**
(State of incorporation)	**(IRS Employer Identification No.)**
1 Bank Plaza, Wheeling, WV	**26003**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: 304-234-9000

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

As of October 23, 2017, there were 44,033,267 shares of WesBanco, Inc. common stock, $2.0833 par value, outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except shares)	September 30, 2017	December 31, 2016
ASSETS		
Cash and due from banks, including interest bearing amounts of **$14,704** and $21,913, respectively	**$ 110,871**	$ 128,170
Securities:		
Trading securities, at fair value	**7,929**	7,071
Available-for-sale, at fair value	**1,305,532**	1,241,176
Held-to-maturity (fair values of **$1,044,748** and $1,076,790, respectively)	**1,025,688**	1,067,967
Total securities	**2,339,149**	2,316,214
Loans held for sale	**26,888**	17,315
Portfolio loans, net of unearned income	**6,373,049**	6,249,436
Allowance for loan losses	**(45,487)**	(43,674)
Net portfolio loans	**6,327,562**	6,205,762
Premises and equipment, net	**133,497**	133,297
Accrued interest receivable	**30,152**	28,299
Goodwill and other intangible assets, net	**590,249**	593,187
Bank-owned life insurance	**191,466**	188,145
Other assets	**168,443**	180,488
Total Assets	**$ 9,918,277**	$ 9,790,877
LIABILITIES		
Deposits:		
Non-interest bearing demand	**$ 1,851,167**	$ 1,789,522
Interest bearing demand	**1,666,117**	1,546,890
Money market	**990,788**	995,477
Savings deposits	**1,258,887**	1,213,168
Certificates of deposit	**1,334,066**	1,495,822
Total deposits	**7,101,025**	7,040,879
Federal Home Loan Bank borrowings	**1,015,011**	968,946

Other short-term borrowings	**165,576**	199,376
Subordinated debt and junior subordinated debt	**164,278**	163,598
Total borrowings	**1,344,865**	1,331,920
Accrued interest payable	**3,924**	2,204
Other liabilities	**73,905**	74,466
Total Liabilities	**8,523,719**	8,449,469
SHAREHOLDERS EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, $2.0833 par value; **100,000,000** shares authorized in 2017 and 2016, respectively; **44,041,572** and 43,931,715 shares issued, respectively; **44,033,585** and 43,931,715 shares outstanding, respectively	**91,753**	91,524
Capital surplus	**683,348**	680,507
Retained earnings	**641,329**	597,071
Treasury stock (**7,987** and 0 shares in 2017 and 2016, respectively, at cost)	**(300)**	
Accumulated other comprehensive loss	**(20,837)**	(27,126)
Deferred benefits for directors	**(735)**	(568)
Total Shareholders Equity	**1,394,558**	1,341,408
Total Liabilities and Shareholders Equity	**$ 9,918,277**	$ 9,790,877

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands, except shares and per share amounts)	For the Three Months Ended September 30, 2017	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2017	For the Nine Months Ended September 30, 2016
INTEREST AND DIVIDEND INCOME				
Loans, including fees	**$ 70,342**	$ 55,822	**$ 202,600**	$ 160,858
Interest and dividends on securities:				
Taxable	**9,711**	9,137	**28,682**	29,129
Tax-exempt	**4,862**	4,559	**14,617**	13,620
Total interest and dividends on securities	**14,573**	13,696	**43,299**	42,749
Other interest income	**574**	574	**1,674**	1,671
Total interest and dividend income	**85,489**	70,092	**247,573**	205,278
INTEREST EXPENSE				
Interest bearing demand deposits	**1,814**	691	**4,413**	1,841
Money market deposits	**751**	444	**1,970**	1,350
Savings deposits	**189**	173	**555**	502
Certificates of deposit	**2,610**	2,592	**7,512**	7,835
Total interest expense on deposits	**5,364**	3,900	**14,450**	11,528
Federal Home Loan Bank borrowings	**3,628**	3,005	**9,608**	9,104
Other short-term borrowings	**394**	118	**954**	299
Subordinated debt and junior subordinated debt	**1,849**	1,043	**5,449**	2,706
Total interest expense	**11,235**	8,066	**30,461**	23,637
NET INTEREST INCOME	**74,254**	62,026	**217,112**	181,641
Provision for credit losses	**2,516**	2,214	**7,610**	6,350
Net interest income after provision for credit losses	**71,738**	59,812	**209,502**	175,291
NON-INTEREST INCOME				
Trust fees	**5,358**	5,413	**17,073**	16,160
Service charges on deposits	**5,320**	4,733	**15,254**	12,861
Electronic banking fees	**4,883**	3,945	**14,395**	11,290
Net securities brokerage revenue	**1,721**	1,473	**5,164**	5,119
Bank-owned life insurance	**1,164**	995	**3,671**	2,910
Net gains on sales of mortgage loans	**1,103**	814	**3,511**	2,045
Net securities gains	**6**	598	**511**	2,293

Net (loss)/gain on other real estate owned and other assets		**(298)**		184		**9**		380
Other income		**1,642**		2,862		**6,318**		6,943
Total non-interest income		**20,899**		21,017		**65,906**		60,001
NON-INTEREST EXPENSE								
Salaries and wages		**24,957**		21,225		**71,575**		60,136
Employee benefits		**7,728**		6,275		**23,670**		20,684
Net occupancy		**4,132**		3,647		**12,969**		10,459
Equipment		**3,905**		3,557		**12,043**		10,387
Marketing		**1,599**		1,295		**4,482**		3,876
FDIC insurance		**945**		961		**2,677**		3,225
Amortization of intangible assets		**1,223**		837		**3,736**		2,263
Restructuring and merger-related expense				9,883		**491**		10,577
Other operating expenses		**11,265**		9,921		**34,380**		28,696
Total non-interest expense		**55,754**		57,601		**166,023**		150,303
Income before provision for income taxes		**36,883**		23,228		**109,385**		84,989
Provision for income taxes		**10,527**		5,793		**30,801**		22,572
NET INCOME	**$**	**26,356**	$	17,435	**$**	**78,584**	$	62,417
EARNINGS PER COMMON SHARE								
Basic	**$**	**0.60**	$	0.44	**$**	**1.79**	$	1.61
Diluted	**$**	**0.60**	$	0.44	**$**	**1.78**	$	1.61
AVERAGE COMMON SHARES OUTSTANDING								
Basic		**44,031,813**		39,715,516		**43,992,017**		38,828,618
Diluted		**44,086,881**		39,743,291		**44,059,469**		38,855,453
DIVIDENDS DECLARED PER COMMON SHARE	**$**	**0.26**	$	0.24	**$**	**0.78**	$	0.72
COMPREHENSIVE INCOME	**$**	**27,637**	$	15,470	**$**	**84,873**	$	78,309

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Nine Months Ended September 30, 2017 and 2016

unaudited, in thousands, except shares and per share amounts)	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Deferred Benefits for Directors	Total
December 31, 2016	43,931,715	$ 91,524	$ 680,507	$ 597,071	$	$ (27,126)	$ (568)	$ 1,341,408
Net income				**78,584**				**78,584**
Other comprehensive income						**6,289**		**6,289**
Comprehensive income								**84,873**
Common dividends declared ($0.78 per share)				**(34,326)**				**(34,326)**
Treasury shares acquired	**(12,987)**				**(488)**			**(488)**
Stock options exercised	**40,834**	**75**	**858**		**188**			**1,121**
Issuance of restricted stock	**74,023**	**154**	**(154)**					
Stock compensation expense			**1,970**					**1,970**
Deferred benefits for directors- net			**167**				**(167)**	
September 30, 2017	**44,033,585**	**$ 91,753**	**$ 683,348**	**$ 641,329**	**$ (300)**	**$ (20,837)**	**$ (735)**	**$ 1,394,558**
December 31, 2015	38,459,635	$ 80,304	$ 516,294	$ 549,921	$ (2,640)	$ (20,954)	$ (793)	$ 1,122,132
Net income				62,417				62,417
Other comprehensive income						15,892		15,892
Comprehensive income								78,309
Common dividends declared ($0.72 per share)				(28,946)				(28,946)
Shares issued for acquisition	5,423,348	11,071	162,934		3,144			177,149
Treasury shares acquired	(130,041)		56		(3,730)			(3,674)
Stock options exercised	31,541	2	(165)		955			792
Issuance of restricted stock	76,400		(2,271)		2,271			
Stock compensation expense			1,389					1,389
Deferred benefits for directors- net			(230)				230	
September 30, 2016	43,860,883	$ 91,377	$ 678,007	$ 583,392	$	$ (5,062)	$ (563)	$ 1,347,151

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)	For the Nine Months Ended September 30, 2017	2016
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 93,506**	$ 89,175
INVESTING ACTIVITIES		
Net increase in loans held for investment	**(122,332)**	(160,654)
Securities available-for-sale:		
Proceeds from sales	**7,760**	277,225
Proceeds from maturities, prepayments and calls	**156,944**	214,786
Purchases of securities	**(225,404)**	(171,169)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	**90,457**	72,859
Purchases of securities	**(53,251)**	(34,530)
Proceeds from bank-owned life insurance	**349**	19
Cash received to acquire a business, net		4,863
Purchases of premises and equipment net	**(6,223)**	(3,894)
Net cash (used in) provided by investing activities	**(151,700)**	199,505
FINANCING ACTIVITIES		
Increase (decrease) in deposits	**61,389**	(123,708)
Proceeds from Federal Home Loan Bank borrowings	**560,000**	
Repayment of Federal Home Loan Bank borrowings	**(513,911)**	(112,116)
Increase in other short-term borrowings	**20,200**	6,832
Decrease in federal funds purchased	**(54,000)**	
Dividends paid to common shareholders	**(33,416)**	(27,277)
Issuance of common stock	**991**	2
Treasury shares purchased net	**(358)**	(2,966)
Net cash provided by (used in) financing activities	**40,895**	(259,233)
Net (decrease) increase in cash and cash equivalents	**(17,299)**	29,447
Cash and cash equivalents at beginning of the period	**128,170**	86,685
Cash and cash equivalents at end of the period	**$ 110,871**	$ 116,132
SUPPLEMENTAL DISCLOSURES		
Interest paid on deposits and other borrowings	**$ 29,857**	$ 24,141
Income taxes paid	**20,825**	17,925
Transfers of loans to other real estate owned	**506**	3,368
Non-cash transactions related to the YCB acquisition		177,149

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation The accompanying unaudited interim financial statements of WesBanco, Inc. and its consolidated subsidiaries (WesBanco) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016.

WesBanco s interim financial statements have been prepared following the significant accounting policies disclosed in Note 1 of the Notes to the Consolidated Financial Statements of its 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco s financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

Recent accounting pronouncements In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-12 Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities. The new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. WesBanco is assessing the impact of ASU 2017-12 and does not expect it to have a material impact on WesBanco s Consolidated Financial Statements.

In May 2017, the FASB issued ASU No. 2017-09 that provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The amendments should be applied on a prospective basis to an award modified on or after the adoption date. WesBanco is assessing the impact of ASU 2017-09 and does not expect it to have a material impact on WesBanco s Consolidated Financial Statements.

In March 2017, FASB issued ASU 2017-08 that shortens the amortization period of certain callable debt securities held at a premium. The premium is required to be amortized to the earliest call date. Securities held at a discount continue to be amortized to maturity. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2019. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco s Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07 that changes how an employer presents the net periodic benefit cost in the income statement for an employer-sponsored defined benefit pension and/or other postretirement benefit plans. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net periodic benefit cost separately from the line items that includes the service cost outside of any subtotal of operating income, if one is presented. These components will not be eligible for capitalization in assets. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual period (i.e., only in the first interim period). For WesBanco, this update will be effective for the fiscal year beginning January 1, 2018. Upon adoption, WesBanco will reclassify the service cost component from employee benefits to salaries and wages, which are both components of non-interest expense. The service cost component for the three and nine months ending September 30, 2017 was $0.7 million and $1.9 million, respectively.

In January 2017, the FASB issued ASU 2017-04 that eliminated the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit s carrying amount over its fair value. Public business entities that are a U.S. Securities and Exchange Commission filer should adopt this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, which for WesBanco will be effective for the fiscal year beginning January 1, 2020. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco s Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, which for WesBanco will be effective for the fiscal year beginning January 1, 2018. WesBanco is currently evaluating the potential impact of ASU 2017-01 but it is not expected that the adoption of this new standard will have a material impact on WesBanco s Consolidated Financial Statements.

In October 2016, the FASB issued ASU 2016-16 that provides the recognition of income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in generally accepted accounting principles. The exception has led to diversity in practice and is a source of complexity in financial reporting. FASB decided that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this update eliminate the exception for an intra-entity transfer of an asset other than inventory. The amendments in this update do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods, which for WesBanco will be effective for the fiscal year beginning January 1, 2018. The amendments in this update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of this pronouncement is not expected to have a material impact on WesBanco s Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15 that provides guidance for the classification of cash flows related to (1) debt prepayment or extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate on the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions and (8) separately identifiable cash flows and application of the predominance principle. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2018. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco s Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13 that will require entities to use a new forward-looking expected loss model on trade and other receivables, held-to-maturity debt securities, loans and other instruments that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2020. Early adoption is permitted for fiscal years beginning after December 15, 2018. WesBanco is currently evaluating the impact of the adoption of this pronouncement on WesBanco s Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09 that will require all excess income tax benefits or tax deficiencies of stock awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee s shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this pronouncement did not have a material impact on WesBanco s Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-07 that eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016, and requires prospective adoption. Early adoption is permitted. The adoption of this pronouncement did not have a material impact on WesBanco s Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02 that will require entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases were not previously recognized in the balance sheet. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. WesBanco is currently evaluating the impact of the adoption of this pronouncement on WesBanco s Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01 that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The standard does not change the guidance for classifying and measuring investments in debt securities and loans. Entities will have to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco s Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09 related to the recognition of revenue from contracts with customers. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are, (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the update. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. Early adoption is now permitted as of the original effective date for interim and annual reporting periods in fiscal years beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, which amends the principle versus agent guidance in the revenue standard. In April 2016, the FASB issued ASU 2016-10, which clarifies when promised goods or services are separately identifiable in the revenue standard. In May 2016, FASB issued ASU 2016-12, which provides narrow-scope improvements and practical expedients to the revenue standard. While WesBanco is currently evaluating the impact of this standard on individual customer contracts, management has evaluated the impact of this standard on the broad categories of its customer contracts and revenue streams. WesBanco currently anticipates this standard will not have a material impact on its Consolidated Financial Statements because revenue related to financial instruments, including loans and investment securities are not in scope of these updates. Loan interest income, investment interest income, insurance services revenue and bank-owned life insurance are accounted for under other U.S. GAAP standards and are therefore, out of scope of the ASC 606 revenue standard. Trust fees, service charges on deposits, electronic banking fees, net securities brokerage revenue, net gains on sales of mortgage loans, and net gain on other real estate owned and other assets are in scope of the ASC 606 revenue standard. Management has substantially completed evaluating revenue contracts, as well as identifying WesBanco s customers, performance obligations and material revenue streams. For revenue streams evaluated to date, no changes have been identified as to the timing of revenue recognition. The Company plans to adopt the revenue recognition standard under the modified retrospective approach as of January 1, 2018.

In January 2014, the FASB issued ASU No. 2014-01, which applies to all reporting entities that invest in qualified affordable housing projects through limited liability entities. The pronouncement permits reporting entities to make an accounting policy election to account for these investments using the proportional amortization method if certain conditions exist. The pronouncement also requires disclosure that enables users of its financial statements to understand the nature of these investments in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. WesBanco made an accounting policy election to adopt the ASU in the first quarter of 2017. With the adoption of this pronouncement, WesBanco now classifies the amortization of the investment as a component of income tax expense (benefit). The amount for the three and nine months ending September 30, 2017 was $0.4 million and $1.2 million, respectively, which is included in income tax expense within WesBanco s Consolidated Financial Statements.

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NOTE 2. MERGERS AND ACQUISITIONS

On September 9, 2016, WesBanco completed its acquisition of Your Community Bankshares, Inc. (YCB), and its wholly-owned banking subsidiary, Your Community Bank (YCB Bank), an Indiana state-chartered commercial bank headquartered in New Albany, Indiana. The transaction expanded WesBanco s franchise into Kentucky and southern Indiana.

On the acquisition date, YCB had $1.5 billion in total assets, excluding goodwill, including $1.0 billion in loans and $173.2 million in securities. The YCB acquisition was valued at $220.5 million, based on WesBanco s closing stock price on September 9, 2016 of $32.62, and resulted in WesBanco issuing 5,423,348 shares of its common stock and $43.3 million in cash in exchange for all of the outstanding shares of YCB common stock. The assets and liabilities of YCB were recorded on WesBanco s balance sheet at their fair value as of September 9, 2016, the acquisition date, and YCB s results of operations have been included in WesBanco s Consolidated Statements of Income since that date. Based on the final purchase price allocation, WesBanco recorded $93.0 million in goodwill and $12.0 million in core deposit intangibles in its Community Banking segment, representing the principal change in goodwill and intangibles in 2016. None of the goodwill is deductible for income tax purposes, as the acquisition is accounted for as a tax-free exchange for tax purposes.

For the nine months ended September 30, 2017 and for the twelve months ended December 31, 2016, WesBanco recorded merger-related expenses of $0.5 million and $13.3 million, respectively, associated with the YCB acquisition.

The final purchase price of the YCB acquisition and resulting goodwill is summarized as follows:

(unaudited, in thousands)		**September 9, 2016**
Purchase Price:		
Fair value of WesBanco shares issued	**$**	**177,149**
Cash consideration for outstanding YCB shares		**43,349**
Total purchase price	**$**	**220,498**
Fair value of:		
Tangible assets acquired	**$**	**1,398,183**
Core deposit and other intangible assets acquired		**11,957**
Liabilities assumed		**(1,330,887)**
Net cash received in the acquisition		**48,212**
Fair value of net assets acquired	**$**	**127,465**
Goodwill recognized	**$**	**93,033**

The following table presents the allocation of the purchase price of the assets acquired and the liabilities assumed at the date of acquisition.

(unaudited, in thousands)	**September 9, 2016**

Assets acquired		
Cash and due from banks	$	**48,212**
Securities		**173,223**
Loans		**1,012,410**
Goodwill and other intangible assets		**104,990**
Accrued income and other assets (1)		**212,550**
Total assets acquired	$	**1,551,385**
Liabilities assumed		
Deposits	$	**1,193,010**
Borrowings		**123,001**
Accrued expenses and other liabilities		**14,876**
Total liabilities assumed		**1,330,887**
Net assets acquired	$	**220,498**

(1) Includes receivables of $105.8 million from the sale of available-for-sale securities prior to the acquisition date.

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There were no adjustments to the allocation of the purchase price of the assets acquired and the liabilities assumed during the third quarter of 2017. The following table presents the changes in the allocation of the purchase price of the assets acquired and the liabilities assumed at the date of the acquisition previously reported as of December 31, 2016:

(unaudited, in thousands)	**September 9, 2016**	
Goodwill recognized as of December 31, 2016	**$**	**92,889**
Change in fair value of net assets acquired:		
Assets		
Loans		**(1,156)**
Accrued income and other assets		**743**
Liabilities		
Borrowings		
Accrued expenses and other liabilities		**269**
Fair value of net assets acquired	**$**	**(144)**
Increase in goodwill recognized		**144**
Goodwill recognized as of September 30, 2017	**$**	**93,033**

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

(unaudited, in thousands, except shares and per share amounts)		For the Three Months Ended September 30, 2017	2016	For the Nine Months Ended September 30, 2017	2016
Numerator for both basic and diluted earnings per common share:					
Net income		**$ 26,356**	$ 17,435	**$ 78,584**	$ 62,417
Denominator:					
Total average basic common shares outstanding		**44,031,813**	39,715,516	**43,992,017**	38,828,618
Effect of dilutive stock options and other stock compensation		**55,068**	27,775	**67,452**	26,835
Total diluted average common shares outstanding		**44,086,881**	39,743,291	**44,059,469**	38,855,453
Earnings per common share	basic	**$ 0.60**	$ 0.44	**$ 1.79**	$ 1.61
Earnings per common share	diluted	**$ 0.60**	$ 0.44	**$ 1.78**	$ 1.61

Options to purchase 117,550 shares and 96,600 shares at September 30, 2017 and 2016, respectively, were not included in the computation of net income per diluted share for the three months ended September 30, 2017 and 2016, respectively, because the exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive. All options to purchase shares were included in the nine months ended September 30, 2017 computation of net income per diluted share. Options to purchase 185,250 shares were not included in the computation of net income per diluted share for the nine months ended September 30, 2016 because the exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

As of September 30, 2017, 28,502 shares of market and performance-based restricted stock were not included in the computation of net income per diluted share for the three and nine months ended September 30, 2017 because the effect would be antidilutive. There were no antidilutive shares of restricted stock excluded from the computation of net income for the three or nine months ended September 30, 2016.

On September 9, 2016, WesBanco issued 5,423,348 shares of common stock (109,257 of which shares were treasury stock) to complete its acquisition of YCB. These shares are included in average shares outstanding beginning on that date. For additional information relating to the YCB acquisition, refer to Note 2, Mergers and Acquisitions.

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NOTE 4. SECURITIES

The following table presents the fair value and amortized cost of available-for-sale and held-to-maturity securities:

(unaudited, in thousands)	**September 30, 2017** Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	**December 31, 2016** Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale								
U.S. Government sponsored entities and agencies	**$ 72,672**	**$ 88**	**$ (441)**	**$ 72,319**	$ 54,803	$ 3	$ (763)	$ 54,043
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**974,370**	**776**	**(11,672)**	**963,474**	953,475	884	(16,070)	938,289
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**122,908**	**77**	**(1,151)**	**121,834**	98,922	27	(2,139)	96,810
Obligations of states and political subdivisions	**104,228**	**3,187**	**(568)**	**106,847**	110,208	3,114	(1,659)	111,663
Corporate debt securities	**35,249**	**325**	**(71)**	**35,503**	35,292	117	(108)	35,301
Total debt securities	**$ 1,309,427**	**$ 4,453**	**$ (13,903)**	**$ 1,299,977**	$ 1,252,700	$ 4,145	$ (20,739)	$ 1,236,106
Equity securities	**4,238**	**1,320**	**(3)**	**5,555**	4,062	1,032	(24)	5,070
Total available-for-sale securities	**$ 1,313,665**	**$ 5,773**	**$ (13,906)**	**$ 1,305,532**	$ 1,256,762	$ 5,177	$ (20,763)	$ 1,241,176
Held-to-maturity								
U.S. Government sponsored entities and agencies	**$ 12,128**	**$**	**$ (254)**	**$ 11,874**	$ 13,394	$	$ (414)	$ 12,980
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and	**178,429**	**763**	**(1,467)**	**177,725**	215,141	1,279	(2,563)	213,857

agencies								
Obligations of states and political subdivisions	**801,760**	**20,153**	**(1,200)**	**820,713**	805,019	15,652	(5,529)	815,142
Corporate debt securities	**33,371**	**1,065**		**34,436**	34,413	418	(20)	34,811
Total held-to-maturity securities	**$ 1,025,688**	**$ 21,981**	**$ (2,921)**	**$ 1,044,748**	$ 1,067,967	$ 17,349	$ (8,526)	$ 1,076,790
Total	**$ 2,339,353**	**$ 27,754**	**$ (16,827)**	**$ 2,350,280**	$ 2,324,729	$ 22,526	$ (29,289)	$ 2,317,966

Trading securities, which consist of investments in various mutual funds held in grantor trusts formed in connection with the Company s deferred compensation plan, are recorded at fair value and totaled $7.9 million and $7.1 million, at September 30, 2017 and December 31, 2016, respectively.

At September 30, 2017 and December 31, 2016, there were no holdings of any one issuer, other than U.S. government sponsored entities and its agencies, in an amount greater than 10% of WesBanco s shareholders equity.

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The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at September 30, 2017. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

	September 30, 2017					
(unaudited, in thousands)	**One Year or less**	**One to Five Years**	**Five to Ten Years**	**After Ten Years**	**Mortgage-backed and Equity**	**Total**
Available-for-sale						
U.S. Government sponsored entities and agencies	**$**	**$ 11,967**	**$ 16,855**	**$ 6,908**	**$ 36,589**	**$ 72,319**
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies [(1)]					**963,474**	**963,474**
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies [(1)]					**121,834**	**121,834**
Obligations of states and political subdivisions	**7,723**	**17,886**	**36,514**	**44,724**		**106,847**
Corporate debt securities		**30,483**	**5,020**			**35,503**
Equity securities [(2)]					**5,555**	**5,555**
Total available-for-sale securities	**$ 7,723**	**$ 60,336**	**$ 58,389**	**$ 51,632**	**$ 1,127,452**	**$ 1,305,532**
Held-to-maturity [(3)]						
U.S. Government sponsored entities and agencies	**$**	**$**	**$**	**$**	**$ 11,874**	**$ 11,874**
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies [(1)]					**177,725**	**177,725**
Obligations of states and political subdivisions	**4,703**	**88,402**	**412,322**	**315,286**		**820,713**
Corporate debt securities		**2,804**	**31,632**			**34,436**
Total held-to-maturity securities	**$ 4,703**	**$ 91,206**	**$ 443,954**	**$ 315,286**	**$ 189,599**	**$ 1,044,748**
Total	**$ 12,426**	**$ 151,542**	**$ 502,343**	**$ 366,918**	**$ 1,317,051**	**$ 2,350,280**

(1) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

(2) Equity securities, which have no stated maturity, are not assigned a maturity category.

(3) The held-to-maturity portfolio is carried at an amortized cost of $1.0 billion.

Securities with aggregate fair values of $1.4 billion and $1.2 billion at September 30, 2017 and December 31, 2016, respectively, were pledged as security for public and trust funds, and securities sold under agreements to repurchase. Proceeds from the sale of available-for-sale securities were $7.8 million and $277.2 million for the nine months ended September 30, 2017 and 2016, respectively. Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income net of tax, as of September 30, 2017 and December 31, 2016, were $5.1 million and $9.9 million, respectively.

The following table presents the gross realized gains and losses on sales and calls of available-for-sale and held-to-maturity securities for the three and nine months ended September 30, 2017 and 2016, respectively. Gains and losses due to fair value fluctuations on trading securities are included in non-interest income under other income, with an offsetting entry in compensation expense.

	For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
(unaudited, in thousands)	**2017**	**2016**	**2017**	**2016**
Gross realized gains	**$ 29**	$ 602	**$ 603**	$ 2,517
Gross realized losses	**(23)**	(4)	**(92)**	(224)
Net realized gains	**$ 6**	$ 598	**$ 511**	$ 2,293

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The following tables provide information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of September 30, 2017 and December 31, 2016:

	September 30, 2017								
	Less than 12 months			12 months or more			Total		
(unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
U.S. Government sponsored entities and agencies	$ 29,875	$ (208)	6	$ 36,284	$ (487)	5	$ 66,159	$ (695)	11
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	729,219	(6,426)	180	254,554	(6,713)	69	983,773	(13,139)	249
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	93,924	(1,135)	13	660	(16)	2	94,584	(1,151)	15
Obligations of states and political subdivisions	96,323	(526)	153						